Approved For Release 2006/10/31 : CIA-RDP80B01676R002700100012-1

ER 1-1922

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10 August 1950

MEMORANDUM FOR: Mr. William F. Schaub
Bureau of the Budget

1. There is an item of [redacted] which appears on our present books as a credit to predecessor organizations. 25X

2. This item represents the residue of funds on hand at the date of liquidation of the Strategic Services Unit and the activation of the Central Intelligence Group. For accounting and other legal purposes, the date 20 October 1946 was chosen by the Directors of the Strategic Services Unit and the Central Intelligence Group as the effective date of liquidation of the Strategic Services Unit and activation of Central Intelligence Group.

3. Operationally, however, there was in fact no precise cut off date between SSU and CIG. Certain SSU operations which were not to be continued by CIG were continued by SSU to an orderly conclusion. Likewise, certain employees of SSU continued in employment status for several months prior to transfer to CIG, or termination. In addition, practical and policy considerations prohibited worldwide dissemination of the liquidation of SSU and the activation of CIG for the purpose of setting up separate financial records in the field for the activities of each organization.

4. The initial transfer of SSU assets to CIG was accomplished by transferring all book assets (foreign currencies, gold, jewelry and other valuables on hand) from the SSU general ledger to the CIG general ledger at their last recorded book value and the setting up of a contra liability account. In subsequent months as field accountings were submitted and SSU activities terminated, the amount of the original transfer was adjusted for the liquidation of obligations of SSU. The amount [redacted] therefore represents the net amount of monetary assets transferred from SSU to CIG after liquidation of all known SSU obligations to the present time. 25X1

5. At the present time these funds, with certain exceptions, are no longer in the form in which they were transferred to CIG. They are presently in the form of gold, dollars, jewelry, foreign currency or even operational advances. The composition of these funds acquired by CIG from the SSU appropriation or other sources

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is not material so long as the amount transferred is clearly recorded as coming from non CIG appropriations and is not expended for the purpose of augmenting CIA appropriations without proper authority.

6. The source of these funds to SSU is also not ascertainable. Portions of these funds came from the COI and OSS appropriations and from the funds made available for the liquidation of SSU. Other portions represent funds or assets seized from the enemy during World War II. Lastly, substantial portions of these funds represent foreign exchange profits.

7. The guidance of the Bureau of the Budget as to the disposition of these funds is requested. A suggested disposition is:

(a) To establish a reserve fund at an initial total of the amount now on hand.

(b) To establish with the Bureau of the Budget, the General Accounting Office, and appropriate committees of Congress, the principle of requesting annual appropriations for any necessary augmentation or replenishment of the reserve fund.

8. I should be glad to confer with you on this subject at any time you desire.

25X1

/s/ + Del by DCI 16 Aug

R. H. HILLENKOETTER
Rear Admiral, USN
Director of Central
Intelligence

D:RHH@lec
Distribution:
Orig & 1 cc—addressee
1 cc—DCI
3 cc—Budget Officer - routed via Actg Exec w/ basic memo dtd 24 July 50 to Budget Officer fr Finance Div, subj: Assets Transferred from Predecessor Organizations
w-note to Actg Exec to retain basic for DCI's ready reference.

ER 1-2118, 8/13/50—Memo for Record by Budget Officer, subj "Conferences with Bureau of the Budget" - para 2 re 18 Aug 50 conference ...."Later in the day Mr. Per-Lee(Budget) advised that the establishment of the amt as a Reserve Fund had been informally appvd & that a notation to that effect had been placed on the DCI memo which wld be retained in the Bureau's files."

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